

# **AB 2597 – CSU REVENUE BONDS, PROCESS IMPROVEMENTS**

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**Assemblymember Fran Pavley**

## **IN BRIEF**

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Streamlines California State University's (CSU) strategic approach to its management of non-state revenue bonded debt, by reducing the cost of that debt.

## **THE ISSUE**

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Over the past five years CSU has consolidated and improved the management of the capital planning and financing of its non-state funded projects. As a result, the CSU now takes a more strategic system wide approach to this process, utilizing more sophisticated planning and financing methods that significantly strengthen its credit quality and provide significant cost savings; however, legislation is needed to achieve greater cost savings and flexibility.

## **EXISTING LAW**

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Authorizes CSU to issue revenue bonds but does not provide the flexibility needed in today's bond markets to take advantage of lower interest rates.

## **THE SOLUTION**

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AB 2597 allows CSU to do the following:

- Pay interest more frequently than annually or semi-annually to accommodate issuance of variable rate debt.
- Provides CSU with flexibility and alternatives to issuing fixed rate debt, which could lead to lower costs of borrowing funds for capital projects for student housing, parking, and student union projects.
- Issue commercial paper directly. Currently, CSU must use an auxiliary organization to

issue commercial paper associated with its System wide Revenue Bonds. This will provide CSU with a more streamlined mechanism for accessing the commercial paper market.

- Loan or advance proceeds of its revenue bonds to third parties, chiefly its own auxiliary organizations, for capital projects approved by the Trustees. This will provide CSU and its auxiliaries with a simplified process for documenting transactions and more accurate accounting for those transactions.
- Enables the State Treasurer's Office to appoint an external agent to serve as trustee of CSU's revenue bonds and commercial paper program for administration, management, investment, and reporting. This will potentially provide CSU with greater management reporting without creating additional workload impacts on the State Treasurer's Office.

## **AUTHOR'S STATEMENT**

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AB 2597 will streamline the external revenue bond financing and treasury processes at CSU, eliminating unnecessary steps and cutting costs in the financing of non-state capital projects.

These efficiencies should also translate into lower costs to students and other users of CSU student housing, parking, student unions, and other non-State campus services.

## **SUPPORT**

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California State University (Sponsor)

## **FOR MORE INFORMATION**

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